



OPEN SESSION

BUDGET MEETING OF THE THIRD LAGUNA HILLS MUTUAL BOARD OF DIRECTORS A CALIFORNIA NON-PROFIT MUTUAL BENEFIT CORPORATION

**Wednesday, June 2, 2021 - 9:30 a.m.
Laguna Woods Village Virtual Meeting
24351 El Toro Road
Laguna Woods, California**

NOTICE OF MEETING AND AGENDA

The purpose of this meeting is to review the budget for the Third Mutual Laguna Hills in accordance with *Civil Code* §4930 and was hereby noticed in accordance with *Civil Code* §4920

- 1. Call meeting to order / Establish Quorum – President Parsons**
- 2. Acknowledge Media**
- 3. Approval of Agenda**
- 4. Report of the Chair**
- 5. Open Forum (Three Minutes per Speaker) - *At this time Members only may address the Board of Directors regarding items not on the agenda and within the jurisdiction of this Board of Directors. The Board reserves the right to limit the total amount of time allotted for the Open Forum. Members can join the Zoom Meeting by clicking on the link <https://us06web.zoom.us/j/81644096078> or call (669) 900-6833 or email meeting@vmsinc.org to request to speak***
- 6. Department Head Update**
- 7. New Business**
 - a. Review Maintenance Service Levels - Proposed 2022 Reserves Plan
 - b. Review Reserve Expenditures Plan - Proposed 2022 Reserves Plan
- 8. Director's Comments**
- 9. Adjournment**



STAFF REPORT

DATE: June 2, 2021
FOR: Board of Directors
SUBJECT: Proposed 2022 Business Plan – Version 1

RECOMMENDATION

Staff recommends that Board review the proposed 2022 service levels and provide direction for change or revision.

DISCUSSION

On June 2, 2021 the Board will meet to review all components of the proposed operating and reserve expenditure budgets. A brief narrative for each of the budgetary line items is listed in order of appearance and changes resulting from the meeting will be incorporated into future versions of the 2022 business plan. Managers responsible for the programs will be in attendance and available to answer questions at the meeting.

FINANCIAL ANALYSIS

In this version of the 2022 Business Plan, the operating portion of the M&C budget totals \$1,952,520 for general maintenance services such as, plumbing, pest control, and carpentry (Attachment 1). This proposal reflects a decrease of (\$269,424) or (12%) when compared to the current year budget. These programs are funded from the Operating Fund and will require a decrease in the assessment of (\$3.68) per manor per month as presented.

In this version of the 2022 Business Plan, the operating portion of the General Services budget totals \$1,680,884 for general maintenance services such as, janitorial, concrete services, and gutter cleaning (Attachment 1). This proposal reflects an increase of \$21,309 or 1% when compared to the current year budget. These programs are funded from the Operating Fund and will require a decrease in the assessment of \$0.29 per manor per month as presented.

The planned reserve expenditures for M&C totals \$10,803,755, an increase of \$15,815 or 0.2% (Attachment 2). A total of 22 reserve components cover large repair, remediation, or replacement programs such as painting, dry rot, and paving. An increase in planned reserve expenditures may impact the assessment. All reserve components will be evaluated within a 30-year reserves plan and presented for Board consideration at the July 16, 2021 business planning meeting.

The planned reserve expenditures for General Services totals \$130,775, a decrease of (\$9,230) or (7%) (Attachment 2). A total of 3 reserve components covers programs such as prior to paint, paving, and exterior walls. A decrease in planned reserve expenditures may impact the assessment. All reserve components will be evaluated within a 30-year reserves plan and presented for Board consideration at the July 16, 2021 business planning meeting.

The M&C planned expenditures from the Disaster Fund totals \$924,939, a decrease of (\$29,492) or (3%) (Attachment 2).

An additional line item is included for Garden Villa Rec Rooms, proposed with a budget of \$73,447 for 2022, as increase of \$1,616 or 2% when compared to current year budget. This item is asurcharge to those units that are located within a Garden Villa style building.

Prepared By: Jose Campos, Financial Services Manager

Reviewed By: Steve Hormuth, Interim Finance Director

Attachments

ATT1 – Maintenance Expenditures by Program with Narratives

ATT2 – Reserve Expenditures by Program with Narratives

**THIRD LAGUNA HILLS MUTUAL
Proposed 2022 RESERVES PLAN
Programs Report**

DESCRIPTION	2018	2019	2020	2021	2022	Assessment	
	ACTUALS	ACTUALS	ACTUALS	BUDGET	BUDGET	Increase/(Decrease) \$	%
OPERATING FUND - MAINTENANCE & CONSTRUCTION							
1 PLUMBING SERVICE	\$740,507	\$827,584	\$828,543	\$676,492	\$704,432	\$27,940	4%
2 PEST CONTROL	281,908	194,008	87,989	645,800	304,266	(341,534)	(53%)
3 CARPENTRY SERVICE	427,819	149,952	515,640	455,942	497,051	41,109	9%
4 ELECTRICAL SERVICE	93,736	99,796	107,651	135,290	115,409	(19,880)	(15%)
5 FIRE PROTECTION	87,961	86,599	101,400	133,931	154,355	20,424	15%
6 APPLIANCE REPAIRS	106,484	130,996	115,550	90,825	93,342	2,517	3%
7 MISCELLANEOUS REPAIRS BY OUTSIDE SERVICES	34,075	58,234	11,191	58,664	58,664	0	0%
8 SOLAR MAINTENANCE	15,911	28,149	23,981	25,000	25,000	0	0%
9 GUTTER CLEANING	132,890	132,957	29,988	0	0	0	0%
10 CURB CUTS	0	10,000	0	0	0	0	0%
11 BALCONY/BREEZEWAY RESURFACING	478,073	0	0	0	0	0	0%
12 BUILDING REHAB/DRY ROT	198,433	0	0	0	0	0	0%
13 ROOF REPAIRS	274,541	0	0	0	0	0	0%
14 PAINT- TOUCHUP	244,896	0	0	0	0	0	0%
TOTAL	\$3,117,234	\$1,718,276	\$1,821,933	\$2,221,944	\$1,952,520	(\$269,424)	(12%)

Lines 9 moved to General Services in 2020.

Lines 11 - 14 moved to reserves in 2019.

OPERATING FUND - GENERAL SERVICES

15 JANITORIAL SERVICE	\$874,334	\$882,450	\$963,848	\$962,945	\$978,056	\$15,111	2%
16 CONCRETE SERVICE	376,281	393,686	348,028	379,831	371,940	(7,891)	(2%)
17 GUTTER CLEANING	9,759	41,466	123,469	179,758	158,079	(21,679)	(12%)
18 WELDING	71,402	99,041	111,697	115,027	124,040	9,013	8%
19 TRAFFIC CONTROL	28,168	14,238	14,118	21,974	48,728	26,754	122%
20 PAVING MAINTENANCE & REPAIRS	48,602	0	0	0	0	0	0%
TOTAL	\$1,408,547	\$1,430,881	\$1,561,161	\$1,659,535	\$1,680,844	\$21,309	1%

OPERATING FUND - LANDSCAPE

21 LANDSCAPE ADMINISTRATION	\$94,424	\$148,803	\$145,024	\$332,008	\$341,724	\$9,716	3%
22 NURSERY & COMPOSTING	257,078	257,239	237,480	290,340	291,001	661	0%
23 GROUNDS MAINTENANCE	2,808,720	2,910,763	3,035,110	3,173,855	3,211,501	37,646	1%
Shrub-Bed Maintenance				2,035,420	2,139,105	103,685	5%
Turf Maintenance				777,044	736,353	(40,691)	(5%)
Miscellaneous Tasks				288,636	261,584	(27,052)	(9%)
Garden Villa Maintenance				72,756	74,459	1,703	2%
24 IRRIGATION	937,145	1,043,777	1,051,492	1,053,027	1,040,999	(12,028)	(1%)
25 SMALL EQUIPMENT REPAIR	204,148	204,044	206,371	226,338	227,160	822	0%
26 PEST CONTROL	227,888	291,533	313,692	316,113	383,434	67,321	21%
27 TREE MAINTENANCE	(8,745)	(5,498)	1,082	0	0	0	0%
TOTAL	\$4,520,658	\$4,850,661	\$4,990,251	\$5,391,681	\$5,495,819	\$104,138	2%

Line 27 moved to reserves in 2020.

2022 OPERATING EXPENDITURES MAINTENANCE AND CONSTRUCTION

The General Maintenance Operating section covers the inspection, maintenance and repair of structures including, but not limited to, manor interiors, building exteriors, carports, laundries, balconies, railings and stairs. Primarily these maintenance items are in response to resident service requests, although many items are planned program work.

1) Plumbing Service

\$704,432

This item provides funding for the variety of plumbing services related to plumbing components that are the responsibility of the Mutual. The main categories of service include addressing various types of stoppages, leak investigation and remedial work related to plumbing leaks (in-wall, under-slab, etc.). Since 2015, plumbing technicians also perform drywall cuts to expedite repairs to in-wall leaks and pipe re-routes. The technicians are certified to handle the removal/abatement of drywall. This will allow, in most cases, a single visit by one department to a manor for the cutout and repair process. Service levels are based on historical averages of hours, materials, and outside services.

Underground leaks are addressed by certified contractors due to CAL OSHA shoring requirements and asbestos cement pipe (Transite) repair and abatement concerns. A contingency amount is included in the budget for such services.

2) Pest Control

\$304,266

A licensed pest control contractor provides the Mutual with pest control services for termite eradication and bee removal services. The budget is developed based on historical trends and the existence of termites as identified by the Mutual's pest control contractor. A staff inspector and a representative of the contractor conduct inspections in response to all reported evidence of live termites and upon request at the time a manor is resold. Based on the results of those inspections, a list of buildings requiring fumigation is compiled. Whenever possible, localized treatments of the infested areas will be performed for dry wood termites to minimize the fumigation requirements. Subterranean termites are also treated at the localized point of infestation.

The buildings listed for fumigation typically are scheduled for the following fiscal year and worked into the budget. Fumigation costs are based on a pre-determined contract value per building type. The current contract is with Newport Exterminating.

The projected costs are budgeted in four categories, Local Pest Control Treatments; Fumigation - Tenting; Fumigation - Landscaping (for plant removal); and Fumigation - Lodging. Although not required by the Davis-Stirling Act, Mutual policy is to provide lodging for two nights while the whole structure fumigation is in process.

The lodging budget is based on the number of units contained in each of the buildings to be fumigated and a contract in place with a local hotel.

The budget for whole structure tenting is based on a weighted average of each building type with costs applied to those buildings based on a pre-determined contract value per building type. This approach is used to determine budgetary estimates for the Business Plan, as the full list of actual buildings that will require treatment are often not known until after the preparation of a given year's Business Plan.

3) Carpentry Service

\$497,051

This line item provides for response to service requests for carpentry and carpentry-related service work on the Mutual's buildings, carports and laundry facilities. Items addressed through Carpentry Services include, but are not limited to the following:

- Exterior and entry door repair
- Repair/replace entry locks
- Door weather stripping replacement
- Board-up windows/shore up sites
- Building cracks and stucco repair
- Acoustic ceiling repair
- Laundry room window repair
- Insect screen install/repair
- Wall/ceiling insulation replacement
- Building address number replacement
- Support scaffolding
- Carport structure repair
- Carport cabinet repair
- Garage door repair
- Patio gate repair
- Vinyl and tile floor repairs
- Removal of bird/animal in wall
- Drywall/texture repair
- Mailbox door and lock repair
- Cabinet repair

Budgeting for this item is essential to continue maintaining the high service level expected and to complete all necessary maintenance concerns requested by residents for the services described above in a timely manner. These repairs are performed by in-house staff and outside contractors.

4) Electrical Service

\$115,409

This item provides funding for the variety of electrical services related to electrical components that are the responsibility of the Mutual, which include the following:

- Repair/replace common area outlets
- Service common area circuit breaker
- Repair underground wiring
- Replace conduit and wiring
- Replace damaged doorbell light
- Replace main breaker
- Repair/replace common area lighting
- Replace common area light bulbs
- Perform miscellaneous service calls

5) Fire Protection

\$154,355

(A) Fire Alarm System Inspections for All Multi-story Buildings (Maintenance Services, WC904):

This item addresses bi-annual fire alarm system inspections of 81 3-story buildings.

(B) Fire Extinguisher Service (Maintenance Services, WC 904):

This service, provided by an outside vendor, covers the annual inspection, maintenance and repair or replacement of the 1,300 fire extinguishers located throughout Third Laguna Hills Mutual. This service includes: (1) inspection and replacement (as needed) of various components; (2) replacement of powders and gases; (3) hydrostatic testing when required; (4) proper tagging of fire extinguishers to indicate date of service and certification; (5) replacement of irreparable or missing extinguishers and extinguishers that must be replaced in accordance with Fire Authority regulations and (6) repair of extinguisher cabinet glass and other parts.

(C) Sprinkler System Service (Maintenance Services, WC 904):

This item is used to address the inspection and servicing of the fire suppression sprinkler systems in the trash chutes of three-story buildings. Sprinkler system service includes certified contractor quarterly inspection of all components of the system and implementation of identified repairs. All work is per NFPA 14 and California Title 19 fire regulations. Staff included funding based on contract pricing for quarterly inspections and provisions for repairs in 2022.

(D) Standpipe Testing (Maintenance Services, WC 904):

This item is used to address the inspection and repair of the Fire Standpipe Systems (Class I or II standpipe systems) in each of the 53 Garden Villa style buildings. NFPA requires semi-annual inspection of these systems. Additionally, NFPA requires flow testing/certification and fire hose pressure testing/certification by a qualified contractor on a five-year schedule or when repairs or use of the system results in the need for certification. The required five-year testing was last completed in 2019; therefore, it is not required again until 2024.

For the 2022 Business Plan, staff included funding for the required annual inspections and a contingency for as needed system repairs determined to be necessary during the inspection processes.

(E) Chimney Cleaning (Maintenance Operations, WC 910):

Per Board direction, staff included funding for replacement of missing spark arrestors on original chimneys.

(F) Dryer Vent Cleaning (Maintenance Operations, WC 910):

This item is used to address the cleaning of original dryer vent ducts in both laundry facilities and manors with original washer/dryer hookups throughout Third Laguna Hills Mutual. The dryer vents in the LH-21 buildings are cleaned every two years. The next cleaning is due in 2022.

6) Appliance Repairs**\$93,342**

This item addresses repairs to the Mutual's laundry appliances. The Mutual maintains 455 high-efficiency laundry room washing machines. In 2019, the Mutual installed 370 high-efficiency commercial dryers in common area laundry rooms, and added laundry pedestals to most dryers in 3-story buildings. Based on a full dryer replacement, staff only provided a minimum budget

to address items not covered under the manufacturer's warranty. Budgeting for this item is based on inventory changes for Maytag washing machines and historical trends.

7) Miscellaneous Repairs by Outside Service

\$58,664

This funding is used to address items that are typically repaired by outside contractors. This item also includes funding for other repairs that do not fit into one of the categories below.

As these items are emergent in nature, budgets are based on historical averages, trends and on planned program scopes of work.

(A) Broken Windows

Replacement of broken panes of glass in the Mutual's common area makes up the majority of this category. Also included in this item are repairs and replacements to window frames, weather stripping and hardware that are the responsibility of the Mutual.

(B) Phone Line Repairs

This item is used to address repairs associated with the Mutual's responsibility for providing one working phone line to each manor.

(C) Lead Paint Testing

In 2010, new EPA regulations went into effect requiring special procedures and handling when performing Renovation, Repair and Painting (RRP) of building components where lead-based paint is present. The presence of lead in paint must be determined before proceeding with work that qualifies under the regulations. Determination of the presence of lead paint must be performed by a Certified Lead Inspector/Risk Assessor. This budget is included to pay for the costs of lead testing performed by a Certified Lead Inspector/Risk Assessor on miscellaneous projects that will be completed by an outside service. Staff included an estimated provision for such testing and abatement.

(D) Miscellaneous

This item includes funding for other repairs that require outside services, but that do not fit into one of the above categories. A two-year average of miscellaneous costs was used as the basis for this category.

8) Solar Maintenance**\$25,000**

This item provides for the Operation and Maintenance (O&M) services set forth below by an outside contractor in relation to the Third solar energy projects.

Daily:

1. Real-time performance monitoring and alert triage
2. Product warranty administration (creating/tracking/logging)
3. 24/7 customer support

Annually:

1. Inverter inspection, maintenance and thermal scans
2. DC wiring and electrical equipment inspections, maintenance, thermal scans and performance testing (current at maximum power (IMP) & operating circuit voltage (VOC) on 100% of the strings
3. Solar module inspection and thermal scans
4. Array racking and component inspection and maintenance
5. Inspection, cleaning and maintenance of meters and sensors
6. Pyranometer calibration
7. Removal of material within arrays and balance of system (BOS)
8. Repairs and replacements as required
9. Maintenance summary report
10. 2x Annual Module cleaning/washing

**Item 9 was moved from Maintenance and Construction to General Services in 2020.
Items 11 through 14 were moved from Operating to Reserves in 2019.**

OPERATING EXPENDITURES GENERAL SERVICES

This section covers the inspection, maintenance and repair of structures including, but not limited to, manor interiors, building exteriors, carports, laundries, balconies, railings and stairs. Primarily these maintenance items are in response to resident service requests, although many items are planned program work.

15) Janitorial Service

\$978,056

Service levels provided in this category include scheduled janitorial services for breezeways and common areas of multi-story buildings, free-standing laundry buildings, and miscellaneous janitorial services in Mutual common areas and car port cleanings. Budgeting for this category is based on the following established service levels:

Description	Quantity	Times/Year	Hours/Visit
GV Buildings	53	50	3.5
LH-21 Buildings	28	50	2.5
Carport Cleaning	2,682	3	N/A
Laundry Rooms (stand-alone)	44	16	1.4
Multi Story Building Breezeways: As needed			
Miscellaneous (Ticket Response): As needed			

The Multi-Story Building Breezeways item includes hours for reactive wash downs, by staff to evaluate whether wash downs are required and will take corrective actions based on those investigations. There are 81 three-story buildings and 254 two-story buildings that may require periodic wash downs within the Mutual. Based on water shortages and increased water costs to offer periodic wash downs, the Mutual in recent years offers this service only on an as-requested basis.

16) Concrete Repair & Replacement

\$371,940

This line item addresses pro-active and resident requests for repair or replacement of concrete slabs, walkways and driveways. Concrete repairs include crack filling and grinding-down of walkways that have lifted. Replacement of concrete occurs when lifting exceeds grinding capability. Repairs to block trash enclosures or laundry room walls are also addressed under this budget item.

The budget for this item is developed based on historical averages and recent trends and is managed by the General Services Department.

17) Gutter Cleaning**\$158,079**

This item provides for the cleaning of building rain gutters to ensure their proper function and drainage. The majority of the work is completed during the fourth quarter of the year, in accordance with the approved policy.

The budget includes funding for an outside service to clean the gutters of multiple-story buildings once during the fourth quarter of the year. In-house staff will clean gutters of single-story buildings throughout the year on a scheduled and as-requested basis.

The leaf/debris removal program was implemented to remove debris, mostly leaves and pine needles, from the roofs and patio covers prior to the winter season. This preventive measure serves to reduce the potential for water backups.

18) Welding**\$124,040**

Welding services are utilized in the repair/replacement of railings, gates, fences, and the repair/replacement of steel step rails. Balcony welding that is required as the result of dry rot repairs discovered during prior to paint is also provided. This item includes work completed as requested by staff and residents through service requests to Resident Services. Historical averages and trends are used to develop budgetary estimates. A contingency amount for lead testing and abatement, required due to EPA lead handling regulations, is included.

19) Traffic Control**\$48,728**

This line item addresses the installation and maintenance of devices required to facilitate traffic safety and circulation throughout the Community. This includes parking lot and street striping, red and yellow curb painting, and replacement of directional and vehicular control signage. Curb painting is based on a 5-year cycle of approximately 5,000 lineal feet per year. Historical averages and trends for hours and materials are used for budget development.

**THIRD LAGUNA HILLS MUTUAL
Proposed 2022 RESERVES PLAN
Programs Report**

DESCRIPTION	2018	2019	2020	2021	2022	Assessment	
	ACTUALS	ACTUALS	ACTUALS	BUDGET	BUDGET	Increase/(Decrease) \$	%
RESERVE FUNDS - MAINTENANCE & CONSTRUCTION							
28 BUILDING NUMBERS	\$32,797	\$33,961	\$0	\$30,000	\$0	(\$30,000)	(100%)
29 BUILDING STRUCTURES	2,084,453	2,534,260	1,404,870	3,599,789	3,626,497	26,708	1%
30 ELECTRICAL SYSTEMS	50,907	50,400	16,690	59,495	59,495	0	0%
31 ENERGY PROJECTS	7,997	27,491	923	0	0	0	0%
32 EXTERIOR LIGHTING	302,074	59,319	760,369	75,000	75,000	0	0%
33 FENCING	21,576	123,758	57,416	58,920	63,909	4,989	8%
34 GARDEN VILLA LOBBY	114,664	111,162	109,636	112,500	12,000	(100,500)	(89%)
35 GARDEN VILLA MAILROOM	54,023	75,477	32,510	439	412	(26)	(6%)
36 GARDEN VILLA RECESSED AREAS	71,111	40,436	65,016	65,000	65,000	0	0%
37 GARDEN VILLA REC ROOM HEAT PUMP/WATER HEATER	15,546	23,584	12,473	6,017	6,068	51	1%
38 GUTTERS	136,466	39,017	134,135	76,206	78,883	2,676	4%
39 MAILBOXES	6,701	29,282	63,844	51,899	53,275	1,376	3%
40 PAINT PROGRAM	1,482,768	2,031,797	1,619,789	1,506,039	1,582,083	76,044	5%
41 PRIOR TO PAINT	1,538,859	1,228,861	915,496	1,071,350	1,164,802	93,452	9%
42 PAVING/CONCRETE	518,479	693,336	695,094	694,149	611,047	(83,102)	(12%)
43 ROOFS	1,576,174	1,550,899	1,429,531	1,439,294	1,461,792	22,498	2%
44 EXTERIOR WALLS	0	148,913	137,928	35,000	35,000	0	0%
45 WASTE LINE REMEDIATION	723,670	741,873	417,586	1,000,000	1,000,000	0	0%
46 WATER LINES - COPPER PIPE REMEDIATION	104,547	199,817	154,939	500,000	500,000	(0)	(0%)
47 ELEVATORS	309,899	332,267	115,890	255,000	255,000	0	0%
48 LAUNDRY COUNTERTOP/FLOOR	50,380	51,423	62,093	58,888	59,772	884	2%
49 LAUNDRY APPLIANCES	46,293	20,935	46,932	92,955	93,720	766	1%
TOTAL	\$9,249,385	\$10,148,267	\$8,253,160	\$10,787,940	\$10,803,755	\$15,815	0%

Lines 29, 40 - 43 include major repairs moved from operations in 2019.

Line 29 includes the funds moved from Disaster fund in 2021.

Line 35 moved from operations to reserves in 2018.

RESERVE FUNDS - GENERAL SERVICES

50 PRIOR TO PAINT	\$1,184	\$3,735	\$1,842	\$11,856	\$12,339	\$483	4%
51 PAVING/CONCRETE	0	32,375	65,491	79,002	69,286	(9,716)	(12%)
52 EXTERIOR WALLS	50,000	0	0	49,147	49,150	3	0%
TOTAL	\$51,184	\$36,111	\$67,333	\$140,005	\$130,775	(\$9,230)	(7%)

Line 51 moved into Reserves Fund - General Services in 2019.

Version 1

**THIRD LAGUNA HILLS MUTUAL
Proposed 2022 RESERVES PLAN
Programs Report**

DESCRIPTION	2018 ACTUALS	2019 ACTUALS	2020 ACTUALS	2021 BUDGET	2022 BUDGET	Assessment	
						Increase/(Decrease) \$	%
RESERVE FUNDS - LANDSCAPE							
53 LANDSCAPE MODERNIZATION	\$49,813	\$797,341	\$837,542	\$487,823	\$823,703	\$335,880	69%
54 IMPROVEMENT & RESTORATION	0	0	0	126,524	129,245	2,721	2%
55 TREE MAINTENANCE	828,245	228,647	830,447	920,872	943,565	22,693	2%
TOTAL	\$878,058	\$1,025,988	\$1,667,989	\$1,535,219	\$1,896,513	\$361,294	24%

DISASTER FUND - MAINTENANCE & CONSTRUCTION

56 MOISTURE INTRUSION - RAIN LEAKS	\$208,073	\$873,957	\$529,302	\$237,513	\$237,513	\$0	0%
57 MOISTURE INTRUSION - PLUMBING LEAKS	796,702	882,146	938,256	400,000	400,000	0	0%
58 MOISTURE INTRUSION - PLUMBING STOPPAGES	153,986	208,893	113,142	50,000	50,000	0	0%
59 MOISTURE INTRUSION - MISCELLANEOUS	161,029	148,226	109,397	46,548	46,548	0	0%
60 DAMAGE RESTORATION SERVICES	337,753	108,912	162,971	220,370	190,878	(29,492)	(13%)
TOTAL	\$1,657,543	\$2,222,135	\$1,853,068	\$954,431	\$924,939	(\$29,492)	(3%)

Lines 56 – 60 funding for the construction portion of damage restoration was moved to Reserve Funds under the Building Structures line.

DISASTER FUND - LANDSCAPE

61 FIRE RISK MANAGEMENT	\$0	\$31,335	\$106,597	\$180,000	\$180,000	\$0	0%
TOTAL	\$0	\$31,335	\$106,597	\$180,000	\$180,000	\$0	0%

DISASTER FUND - FINANCIAL SERVICES

62 INSURANCE PREMIUMS	\$0	\$0	\$918,432	\$2,131,029	\$0	(\$2,131,029)	(100%)
TOTAL	\$0	\$0	\$918,432	\$2,131,029	\$0	(\$2,131,029)	(100%)

Lines 62 - 2021 expenditures assumes insurance premium of \$2.1M to be paid from the Disaster Fund.

GARDEN VILLA REC ROOM FUND - MAINTENANCE & CONSTRUCTION

63 GARDEN VILLA RECREATION ROOMS	\$63,429	\$71,036	\$71,247	\$71,831	\$73,447	\$1,616	2%
TOTAL	\$63,429	\$71,036	\$71,247	\$71,831	\$73,447	\$1,616	2%

Version 1

2022 RESERVE EXPENDITURES MAINTENANCE AND CONSTRUCTION

This section covers the inspection, maintenance and repair of structures including, but not limited to, manor interiors, building exteriors, carports, laundries, balconies, railings and stairs. Primarily these maintenance items are in response to resident service requests, although many items are planned program work.

28) Building Numbers

\$0

Third Laguna Hills Mutual is comprised of 1,405 buildings with 6,102 manors. This program was funded to replace building numbers throughout the Mutual to increase their visibility.

Funding for building address sign replacement was moved to the Paint Program budget as staff replaces building, carport and laundry room signs during the annual exterior paint program.

29) Building Structures

\$3,626,497

Building Structures (Maint. Ops., Carpentry & Carport Panel Replacements) - This reserve component is designed to address building structures that are exhibiting deterioration. Staff will eradicate dry rot through a systematic and proactive approach utilizing an aggressive inspection process designed to address all buildings in Third including both architectural and structural components through outside services and in-house staff. This includes but is not limited to balcony replacements, wood balcony railing replacements, ramp replacements, walkway replacements, trellis structure replacements, beam replacements, window replacements, garage door replacements, carport panel replacements, Garden Villa Recreation Room kitchen and restroom flooring replacements, asbestos and lead abatement and testing, associated engineering cost and City building permit application and inspection fees. Replacements are qualified and generated on both a reactive and a proactive basis.

Building Structures Replacements - This reserve component is designed to address building structures that are exhibiting deterioration and will be utilized on a contingency basis. It is assumed that full replacement of this component would never be required. The unit cost is a contingency estimate for a typical building structure repair.

Building Structures Dry Rot - This reserve component is dedicated to eradicating dry rot through a systematic and proactive approach utilizing an aggressive inspection process. This process is designed to address all building types within the Mutual including architectural and structural components.

Parapet Wall Removals - This reserve component is to address moisture intrusion problems on the Villa Paraisa and Casa Grande style buildings by removing and replacing the parapet wall design with a sloped roof.

Foundations - This reserve component is dedicated to foundation repairs most often due to soil erosion and settlement. Although the unit cost will vary, it is a contingency estimate for typical foundation repairs.

Building Rehab/Dry Rot - This reserve component is designed to address building structural that are exhibiting deterioration and to eradicate dry rot identified by Members through service requests or during the course of other maintenance activities in Third to include minor replacement of wood members, such as fascia boards, shear panel repair, wood stud replacement, stucco repair, T-111/Hardi siding replacement, rafter tail replacements, exterior crown molding replacement, and red wood siding/trim replacement.

As part of the 2022 fiscal budget, staff will proactively assess buildings for drainage deficiencies that could lead to building settlement, and will implement the necessary repairs.

Balcony Inspections – Senate Bill 326 states that a statistically significant sample of all of the Mutual’s exterior elevated elements is to be inspected once every 9 years. VMS will be contracting with a licensed structural engineer or architect to inspect a percentage of the Mutual’s exterior elevated elements, for which the Mutual has maintenance or repair responsibility. The first inspection shall be completed by January 1, 2025, and then every nine years thereafter in coordination with the reserve study inspection pursuant to Section 5550. A report will be generated from the inspections and shall include detailed information on the condition of each inspected element; expected future performance; remaining useful life; and any repair/replacement recommendations.

Damage Restoration – This reserve component is for reconstruction of manors/buildings resulting from rain leaks, plumbing leaks, plumbing stoppages, and other moisture intrusion events. During the 2021 Business Planning Meeting, the Board asked that all costs related to the reconstruction or replacement of mutual owned components, be moved from the Disaster Fund to the Replacement/Reserve Fund. It should be noted that restoration costs exceeding \$25K will be submitted to the Mutual’s insurance carrier.

30) Electrical Systems

\$59,495

Electrical Systems – Panel Replacements

This reserve component is funded to address electrical panel maintenance and a contingency for potential panel failures.

Staff has completed grounding improvements to all of the Garden Villa (GV) buildings. The 2022 budget includes funding for contingency replacements of electrical components in the GV buildings.

Electrical Systems – Alternate Heat Source (Heat Pump & Wall Heaters)

Third is responsible for providing a heat source in the bedroom and living/dining room areas of its manors. At the time of original construction, the provided heat source was in-ceiling radiant heat systems. If an original in-ceiling radiant heat system fails or requires replacement as the result of some maintenance activity, the Mutual must provide a replacement heat source. The Mutual replaces failed heat systems with an appropriate and cost-effective type unit for the room being heated. Typically, that is a wall heater in the bedrooms and a through-the-wall heat pump in the living room and dining room. The type of unit used is contingent on several factors, the most important being the BTU’s required to heat the area being heated.

The budget allows for 3 heat pumps and 3 wall heaters to be replaced each year if necessary.

31) Energy Projects **\$0**

During the 2020 Business Planning Meetings, the Board decided that they would fund energy projects as necessary instead of adding a contingency amount to each fiscal budget.

32) Exterior Lighting **\$75,000**

Funding in this program provides for lighting upgrades throughout the community and the related annual operation and maintenance costs for the street lights.

Contingency funding is also included for a walkway lighting consultant as well as any needed repairs to common area lighting performed by in-house staff.

33) Fencing **\$63,909**

Third has approximately 13 miles or 70,000 linear feet of decorative wooden split rail fencing throughout its property. The Mutual uses wooden split rail fencing as an inexpensive way to create decorative boundaries between buildings, as well as define sloped areas.

Staff currently replace rotted split rail fencing on an as needed basis.

34) Garden Villa Lobby Renovations **\$12,000**

This reserve component addresses the renovation of the lobby areas of the Mutual's Garden Villa-style buildings, which is performed on a program basis. The lobby ceilings, walls, and floor coverings are inspected annually and those in the poorest condition, receive the highest priority for renovation. Member requests for lobby improvements are also considered during the evaluation process each year. The Lobby Renovation Program consists of asbestos testing, abatement of the existing acoustic ceiling, removal of the wallpaper including the adhesive, clearance testing, new ceiling texture, wall repair and texture, paint, installation of new baseboards and carpet replacement.

35) Garden Villa Mailroom Renovations **\$412**

This reserve component addresses the renovation of mailrooms in the Mutual's Garden Villa style buildings. The renovation cycle was completed in 2020 and will resume in 2026. The 2022 proposed funding is a contingency for touch-up painting of the mailroom walls.

The scope of work includes:

- Removal of wall paneling if needed, to be replaced with drywall
- Installation of new molding
- Light diffuser panel replacement
- Painting of walls, molding, doors and door trim
- Remove and replace ceramic tile flooring if needed

36) Garden Villa Recessed Areas**\$65,000**

This reserve component addresses the green synthetic, outdoor carpet replacement of the recessed areas of the Mutual's Garden Villa style buildings, which is performed on a program basis. The scope of work includes water testing, removal of the indoor/outdoor carpet in recessed areas, crack repairs to the concrete slab, application of waterproofing sealant (where applicable), application of waterproof barrier and liner at planter boxes (where applicable), and installation of new carpet.

37) Garden Villa Rec Room Heat Pump/Water Heater**\$6,068**

Water Heaters: There are 53 Garden Villa Recreation Room water heaters in the Mutual. Replacement of the water heaters is implemented proactively at the end of their 10-year serviceable life.

Heat Pumps: Replacement of the heat pumps is based on an annual inspection with consideration to the unit's expected lifecycle, maintenance and repair history, age and its overall condition, or upon failure.

38) Gutters**\$78,883**

This reserve component is designed to address repairs and replacements of original construction building rain gutter and downspout systems on all of the Mutual's buildings that are exhibiting deterioration, as well as new installations where gutters were not originally located.

Gutter Repairs: The gutter systems are constructed of galvanized metal pieces joined together in ten-foot-long sections or less. Typically, original gutter systems fail at the joints and corrode, which result in leaks. The funding for this program is reactive and based on resident requests.

Gutter Replacement: This reserve item is designed to address the replacement of failing, original rain gutter sections, and downspout systems on all of the Mutual's buildings.

New Gutter Installation: Beginning in 2020, \$50,000 was added to the annual budget for new gutter installations in order to address drainage issues and to prevent foundation erosion in conjunction with buildings on the exterior paint program.

39) Mailboxes**\$53,275**

Third has approximately 6,102 individual mailboxes. The pedestal mailboxes at all the LH-21 buildings have been replaced.

Cluster mailboxes inset on the exterior walls of one- and two-story buildings are deteriorating and are no longer compliant to USPS standards. Each cluster mailbox will house up to 4, 8 or 12 units.

Mailbox clusters will be replaced each year until all are compliant with USPS standards.

40) Paint Program**\$1,582,083**

During the 2021 Business Planning Meeting, the Mutual elected to change the exterior paint program from a 10-year to a 15-year paint cycle for the 16,495,970 square feet of exterior building surfaces. All exterior components of each building are to be painted every 15 years. The building components painted include the body, (stucco and/or siding) and the trim (fascia boards, beams, overhangs, doors, closed soffits and structural and ornamental metal surfaces).

Deck top coat resurfacing, replacement of reflective address building numbers, lead testing and Lead RRP (Renovation, Repair and Painting) activities are performed in conjunction with the program. Non-wood alternatives are used where possible.

Funding also includes interior and exterior touch-up painting which was moved from Operating to Reserves in 2019.

Planned expenditures are based on the square footage of the buildings scheduled for that fiscal year.

41) Prior to Paint**\$1,164,802**

PTP: The reserve component for prior-to-paint repairs will prepare building surfaces for painting. This work is performed by outside contractors and in-house staff and includes structural and non-structural repairs; mitigation of dry rot; balcony and breezeway decking repairs which are performed every 15 years in conjunction with the exterior paint program.

Top Coat Resurfacing: The elevated balcony and breezeway deck surfaces are inspected and repaired every 7.5 years, which is mid-way between the 15-year exterior paint cycle. This reserve component is designed to provide a waterproof top coat sealant to those elevated surfaces.

Planned expenditures are based on the square footage of the buildings scheduled for that fiscal year.

Funding also includes costs related to asbestos and lead testing with the abatement of dry rotted components.

42) Paving/Concrete**\$611,047**

Parkway Concrete: Each year staff inspects the Mutual sidewalks to receive paving work for potential tripping hazards, and areas are identified for replacement. This helps to eliminate the long waiting periods for concrete repairs that are addressed by the General Services Department. Staff also identifies all damaged drainage gutters in the area and includes their replacement cost in this budget item. This program works in conjunction with the current paving program.

Asphalt Repairs: As part of the Mutual's asphalt repaving program, each year all asphalt pavement in the community is inspected and rated for wear. When the pavement rating justifies replacement, the work is budgeted for the upcoming year. For the purpose of reserve planning, an estimated life of 25 years is used.

Seal Coat: The application of a seal coat over asphalt is necessary to extend the useful life of pavement. Asphalt receives a seal coat 5 years after paving and also on a continuous 7-year cycle thereafter. This type of preventive maintenance is considered the most efficient and cost-effective method of extending the serviceable life of asphalt paving.

Golf Cart Parking & Striping: During the 2018 Business Planning meeting, staff was directed to consider additional opportunities to create golf cart parking in areas where landscaping has declined or is absent and a pilot program was completed in Gate 14. In 2019, 2020 and 2021, the Board provided \$50,000 to create 20 additional parking spaces with the understanding that there may not be available open space to create 20 parking spaces each year.

43) Roofs**\$1,461,792**

Roofs Preventive Maintenance: The Built-up Roof (BUR) Maintenance Program is intended to extend the serviceable life of existing BUR roofs by three to five years, for a total serviceable life of 18-20 years. The program emphasizes aggressive repair and maintenance on BUR roofs at 5-year intervals.

The current roofing contract provides for the 5-year preventive maintenance of each roof system at no cost to the Mutual.

The 10-year preventive maintenance program for 2022 includes those built-up roofs that were replaced in 2012.

Roofs Built-Up – PVC Cool Roof: The Built-Up Roofing ("BUR") Replacement Program is designed to identify and replace BURs systems that have reached their serviceable life prior to failure with PVC Cool Roofs, which have a serviceable life of 25 years. All roofs 15 years of age and older are visually inspected and a query of all reported rain leaks for the subject buildings is generated.

The roofs are ranked by condition and those with the worst overall performance are slated for replacement. Therefore, not all BURs are replaced upon expiration of their anticipated serviceable life.

During the 2020 Business Planning Meeting, the Board authorized staff to lower the reserve costs required to maintain the built-up roofs by \$100,000 per year. This savings will offset the funding needed to replace the lightweight tile roofs which are failing prior to the end of their expected useful life.

Roofs – Lightweight Tile: In 1990, staff was directed to replace 377 wood shake roofs with lightweight tile roof systems due to the potential fire risks associated with wood shake roofing. Although the lightweight tile roof products were projected to have a 40-year serviceable life, they have required a high rate of leak repairs. Buildings with the lightweight roof tile systems have incurred an average roofing repair cost of \$3,766 per building.

Staff instituted a program to begin the replacement of lightweight tile roofs with Certain Teed Landmark 40 Composition Shingle. This product has a proven record of virtually maintenance free performance which will not require framing upgrades to install and is projected to last 40 years. The look and profile of composition shingles has significantly improved in recent years and these roof systems have an appealing architectural look without the worry of tile breakage issues.

The Community has approximately 700 buildings with this type of system which were installed from 2001 through 2013 and have performed virtually problem free since. This system has a lifetime warranty and the Mutual's contractor offers a 5-year labor warranty.

44) Exterior Walls

\$35,000

Barbed wire is no longer a city-approved material for wall security. In 2017, the City of Laguna Woods passed a resolution to include Shepherd's Crook as an acceptable replacement to the existing barbed wire.

Since 2020, planned expenditures include the cost of clearing and grubbing which was not previously included in prior years.

The Village is required by the Condition Use Permit (CUP) to complete at least 900 lineal feet per year with Third's responsibility equaling, 300 linear feet per year. At the Board's request funding was reduced to only allow for the minimum linear feet to be replaced each year.

45) Waste Line Remediation

\$1,000,000

In 2006, the Board established a reserve line item for waste lines. The program provides for the evaluation of waste lines and the establishment and implementation of a strategy for replacement. Lining the underground and under slab pipe is possible with a liner and epoxy resin product. The program was expanded to include interior pipes in 2017.

Staff uses a combination of a reactive and proactive approach for the repair of waste lines. Reactively staff addresses backups as they arise and proactively all lines in the surrounding units are epoxy lined.

46) Water Lines – Copper Pipe Remediation**\$500,000**

In 2006, the Board established a reserve line item for copper water lines. This budget item funds the epoxy lining of failed copper water supply lines in the Mutual. Buildings are selected as candidates for epoxy-lining based on a leak criteria, and the frequency of leaks in a given building. Staff tracks leaks associated with the copper lines, and criteria-based calculations are made to identify the qualified buildings.

The program is reactive as well as proactive. When a manor meets the epoxy-lining criteria, the entire building where the manor is located is epoxy-lined.

Staff is currently using the approved leak rate ratio of two leaks in a three-year period or manors with one leak equating to 1/3 of the total number of manors in a building to qualify a building for remediation.

47) Elevators**\$255,000**

The Elevator Replacement Fund provides funding for component replacement and interior cab upgrades to the 82 passenger elevators in the Mutual.

Starting in 2020, the annual budget was decreased to provide funding for 5 elevator upgrades.

48) Laundry Countertop/Floor Replacement**\$59,772**

Countertops: The laundry facilities in Third are comprised of 81 three-story buildings with three laundry rooms each and 44 free standing laundry rooms. The three-story building laundry rooms have one folding table that will be replaced with a wall mounted countertop. The free-standing laundry rooms have four wall mounted countertops and are treated as one component for reserve purposes. The current replacement policy is reactive and countertops are replaced upon failure or non-reparability.

Estimated Life = 20 Years. Planned expenditures are based on the historical replacement quantities, anticipated useful life, and current estimated cost, plus inflation.

Flooring: There are three laundry facilities, one on each floor, of Third 81 three-story buildings for a total of 243. Each of these laundry facilities has sheet vinyl floor covering. The Laundry Room Flooring Program allows the existing vinyl flooring to be professionally removed by an abatement contractor, staff then applies an epoxy floor coating over the entire surface.

Estimated Life = 25 years. Planned expenditures are based on the historical replacement quantities, anticipated life, and current estimated costs, plus inflation.

49) Laundry Appliances Replacements**\$93,720**

Water Heaters: There are 125 laundry room water heaters in the Mutual. The Mutual's policy is to replace all water heaters in their 10th year of life. Planned expenditures are based on the anticipated useful life and current estimated cost of materials and labor plus inflation.

Dryers: The Board approved the replacement of all existing residential dryers with commercial, coin operated machines. The level of the machines was raised by placing them on pedestals for easier use. Per Board directive, the number of dryers in stand-alone laundry facilities was reduced to 2 units. This was achieved when all dryers were replaced in 2019.

Washers: There are 453 washers in the mutual's laundry facilities. The current replacement policy is reactive and washers are currently replaced upon failure or non-reparability. Some washers are now requiring replacement and the budget has been increased to account for 30 replacements in 2022.

Per Board directive, the number of washers in the laundry facilities was to be reduced over time by removing faulty washers, and not replacing them in low-utilization locations.

RESERVE EXPENDITURES GENERAL SERVICES

This section covers the inspection, maintenance and repair of structures including, but not limited to, manor interiors, building exteriors, carports, laundries, balconies, railings and stairs. Primarily these maintenance items are in response to resident service requests, although many items are planned program work.

50) Prior to Paint

\$12,339

The Mutual has a 10-year full exterior paint program. This budget item includes a contingency for railing welding repairs on the buildings scheduled for the 2021 exterior paint program.

51) Paving/Concrete

\$69,286

General Maintenance & Street Repairs; Asphalt Repairs, Main Line Repair, Crack Filling: Funding for asphalt and concrete in General Services addresses the reactive component of roadway and sidewalk repairs. Areas are addressed throughout the year as they are identified to eliminate the liability associated with the long waiting required with the annual proactive program. All street asphalt is also inspected and minor repairs and crack filling work is performed when needed to keep the roadways safe.

Sweeping/Scrubbing Garages: Twice a year 53 Garden Villa underground garages are cleaned and scrubbed to help keep these areas well maintained which helps extend the life of the parking surface areas.

52) Exterior Walls

\$49,150

This is a contingency for both perimeter and common wall replacements.

Funding is provided in this item to address common area walls, as well as the Mutual's perimeter walls. A contingency amount is included to address the repair or replacement of damaged common walls. This program assumes that an average of 1% of the walls would require repair every year.

Walls – Common Area: This budget line item was transferred from the Maintenance & Construction Department in 2020 and provides contingency funding for improvements to the common interior walls in the Mutual. This program addresses the need to provide common wall repair or replacement throughout the community.

Walls – Perimeter: Third Laguna Hills Mutual utilizes perimeter walls to provide physical security. The majorities of the walls were built over 35 years ago, and is typically made of concrete block. In addition to providing security to the community, this program replaces walls due to damage or deterioration.

DISASTER FUND MAINTENANCE AND CONSTRUCTION

This was one of the first funds established for the Mutual to reserve for contingencies and uninsured damages. The purpose of this fund is to provide for emergency expenditures or catastrophic damages not covered by insurance, including insurance policy deductible amounts. Also, possibly for write-offs of uncollectible accounts according to original definition of the General Operating Fund. In the 2009 Business Plan, this fund was renamed from the General Operating Fund to the Disaster Fund to better convey its purpose. This fund is not required by Civil Code and is therefore excluded from reserve plan calculations.

56) Moisture Intrusion – Rain Leaks

\$237,513

This line item funds restoration (dry down, environmental testing, abatement & misc. repairs) of manors due to roof leaks, deteriorated roof membranes, roof flashing/connections, windows, stucco walls, atrium back-ups, gutter systems, rain flooding, skylights (non-alteration), and vents, that may cause damage to the Mutual's asset and require repairs. If replacements are needed, those items will be funded from the Replacement/Reserve fund.

Moisture Intrusion staff coordinate repairs and restoration with in-house staff and outside contractors to minimize the inconvenience to members.

57) Moisture Intrusion – Plumbing Leaks

\$400,000

This line item funds restoration (dry down, environmental testing, abatement & misc. repairs) of manors due to plumbing leaks from the under-slab, in-wall, supply line, and drain line, that may cause damage to the Mutual's asset and require repairs. If replacements are needed, those items will be funded from the Replacement/Reserve fund.

Moisture Intrusion staff coordinate repairs and restoration with in-house staff and outside contractors to minimize the inconvenience to members.

58) Moisture Intrusion – Plumbing Stoppages

\$50,000

This line item funds restoration (dry down, environmental testing, abatement & misc. repairs) of manors due to plumbing stoppages from main lines, internal lines, toilets, sink and basins that may cause damage to the Mutual's asset and require repairs. If replacements are needed, those items will be funded from the Replacement/Reserve fund.

Moisture Intrusion staff coordinate repairs and restoration with in-house staff and outside contractors to minimize the inconvenience to members.

59) Moisture Intrusion – Miscellaneous

\$46,548

This line item funds restoration (dry down, environmental testing, abatement & misc. repairs) of units with miscellaneous moisture intrusion from tub/shower enclosures, cracked tile, missing grout, humidity, irrigation, loose sink/countertop connections, common area washing machines, foundations, window condensation, and mold, that may cause damage to the Mutual's asset and

require repairs. If replacements are needed, those items will be funded from the Replacement/Reserve fund.

Moisture Intrusion staff coordinate repairs and restoration with in-house staff and outside contractors to minimize the inconvenience to members.

60) Damage Restoration Services

\$190,878

This line item funds the emergency repairs due to damage from structure fires and vehicle accidents.

If replacements are needed, those items will be funded from the Replacement/Reserve fund.

Funding levels for this category are based on historic averages.

Part of this expenditure is reimbursed to the Mutual through hearings that review the circumstances of the moisture intrusion event in order to determine if the member should be held responsible for costs associated with the restoration.

**GARDEN VILLA REC ROOM FUND
MAINTENANCE AND CONSTRUCTION**

63) Garden Villa Recreation Rooms

\$73,447

The Replacement Reserve-Villa Furnishings Fund was established in 1975 for the replacement of furnishings in the Villa buildings. Several policy changes were made through the years regarding the fund name and usage. On September 19, 1995, the Board of Directors adopted Resolution M3-95-82 approving a fund name of Garden Villa Recreation Room Fund.

The purpose of this fund is to provide for all expenditures in the recreation rooms of Garden Villa buildings (repairs, replacements and preventive maintenance), other than janitorial services.

On June 16, 2009 the Board directed that water heater and heat pump components previously paid from this fund will be paid from the Replacement Fund.